

Fiscal 2006 3rd Quarterly Report of Consolidated Results

February 2, 2006

Company Name: RISO KAGAKU CORPORATION

Stock Code: 6413

(URL: <http://www.riso.co.jp/>)

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Listed Market: JASDAQ

Headquarters: Tokyo

1. Drafting Notes of Quarterly Financial Statements

- 1) Simplified Accounting Methods Applied : Yes
 - The simplified tax effect accounting has been applied for tax expenses.
- 2) Changes in Accounting Standards from the Previous Fiscal Year : No
- 3) Changes in Scope of Consolidation and Application of Equity Method : Yes
 - Two companies have been excluded from the scope of consolidation.

2. Consolidated Three-Quarterly Results (April 1, 2005 to December 31, 2005)

(1) Consolidated Operating Results

(Millions of yen, rounded down)

	Net Sales		Operating Income		Recurring Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
3rd Quarter of FY2006	61,890	[2.9]	2,669	[- 28.4]	2,719	[- 23.0]
3rd Quarter of FY2005	60,157	[0.0]	3,729	[- 23.1]	3,531	[0.7]
FY 2005	85,161		6,574		5,883	

	Net Income		Net Income Per Share		Diluted Net Income Per Share	
	Millions of yen	%	Yen		Yen	
3rd Quarter of FY2006	1,370	[- 32.5]	51.	50	50.	39
3rd Quarter of FY2005	2,030	[37.8]	149.	77	143.	18
FY 2005	3,280		238.	58	226.	12

(Notes)

- The percentages given in the above table indicate year-on-year changes for the corresponding period.

(Notes)

1. Effective November 18th 2005, each share of common stock was divided into two shares. Net income per share in this three-quarterly period was calculated, assuming that the said share split was executed at the beginning of this fiscal year.
2. The figures below show the net income per share and diluted net income per share in the first three quarters of FY2005 and the FY 2005, which were recalculated on the assumption that the share split was executed at the beginning of the previous fiscal year.

	Net Income Per Share	Diluted Net Income Per Share
3rd Quarter of FY2005	74. 88	71. 59
FY 2005	119. 29	113. 06

< Overview of Consolidated Operating Results >

The consolidated net sales during this period amounted to ¥61,890 million (2.9% increase on a year-on-year comparison), as a result of sales expansion of the full color inkjet printer, RISO HC5000, despite a drop in both domestic and overseas sales of digital printers (Risograph) by year-on-year comparison.

As for incomes, due to slow sales of digital printers' (Risograph) supplies and increased prior investment on new product launch, the consolidated operating income amounted to ¥2,669 million (28.4% drop on a year-on-year comparison) and recurring income to ¥2,719 million (23% drop), thus leading net income to be ¥1,370 million (32.5% drop) for the three quarters.

(2) Consolidated Financial Position

(Millions of yen, rounded down)

	Total Assets	Shareholders' Equity	Equity Ratio	Book Value Per Share
	Millions of yen	Millions of yen	%	Yen
December 31, 2005	117,033	67,685	57.8	2,547. 89
December 31, 2004	109,850	65,051	59.2	4,798. 08
March 31, 2005	112,551	65,834	58.5	4,926. 74

(Notes)

- The figures below show the book value per share in the first three quarters of FY2005 and FY 2005 which were recalculated on the assumption that the share split was executed in the previous fiscal year.

	Book Value Per Share
December 31, 2004	2,399. 04
March 31, 2005	2,463. 37

(3) Consolidated Cash Flows

(Millions of yen, rounded down)

	Operating Activities	Investing Activities	Financing Activities	Period-end Cash and Cash Equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
3rd Quarter of FY2006	4,528	- 4,581	- 16	33,670
3rd Quarter of FY2005	4,938	- 734	- 1,085	35,020
FY 2005	6,282	- 3,267	- 1,431	33,526

< Overview of Consolidated Financial Positions >

The financial positions at the end of this period changed as given below since the previous fiscal year end.

The total assets increased by ¥4,482 million and the shareholders' equity increased by ¥1,851 million, which resulted in an equity ratio of 57.8%. The main contributing factors of the above financial changes on assets' side are as follows: a ¥1,338-million increase in cash and deposits, a ¥3,913-million increase in inventories, a ¥3,593-million increase in investment in securities, a ¥3,106-million decrease in notes and accounts receivable and a ¥1,192-million decrease in marketable securities. On liabilities' side, notes and accounts payable and short-term loans increased ¥2,655 million and ¥1,677 million respectively.

< Overview of Consolidated Cash Flow >

Cash and cash equivalents (net cash) amounted to ¥33,670 million, increasing ¥144 million from the previous fiscal year end.

Each cash flow activity in this three-quarterly period is summarized as follows;

Cash Flows From Operating Activities

Operating activities provided ¥4,528 million as net cash (down 8.3% on a year-on-year comparison). This position resulted from both the main cash inflows of ¥2,719 million as income before income taxes, of ¥2,403 million as depreciation, of ¥3,937 million as decrease in accounts receivable, and the main cash outflows of ¥2,001 million as payment of corporate income taxes.

Cash Flows From Investing Activities

Investing activities used ¥4,581 million (up 524.0% on a year-on-year comparison). This position resulted from the main cash outflows of ¥1,943 million as acquisition of tangible fixed assets and of ¥3,099million as purchase of investment securities.

Cash Flows From Financing Activities

Financing activities used ¥16 million (down 98.5% on a year-on-year comparison). This position resulted from the main cash inflow of ¥1,145 million as net increase in short-term loans, and main cash outflow of ¥302 million as repurchase of Company's stock, and of ¥801 million as payment of dividends.

3. Forecast for FY 2006 (April 1, 2005 to March 31, 2006)

(Millions of yen, rounded down)

	Net Sales	Recurring Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Year-end Results	89,700	5,800	3,300

(Notes)

- The forecast FY2006 net income per share is 124.22 yen.
- The forecast FY2006 net income per share is calculated with the total number of outstanding shares at the end of the first three quarters of this fiscal year.

< Overview of Consolidated Result Forecast >

The fiscal 2006 consolidated result forecast, which was released on November 8, 2005, has no change.

[NOTES]

The above forecasts are based on beliefs and assumptions of management in light of information currently available to it at the time of announcement and are subject to a number of uncertainties that may affect future results. A number of factors could cause actual results to differ materially from forecasts.

[Attached Documents]

- Brief quarterly consolidated balance sheets
- Brief quarterly consolidated statements of income
- Quarterly consolidated surplus statements
- Quarterly consolidated statements of cash flows
- Segment information

Quarterly Consolidated Financial Statements

[1] Brief Quarterly Consolidated Balance Sheets

Item	3rd Quarter of FY 2006 (As of December 31, 2005)	3rd Quarter of FY 2005 (As of December 31, 2004)	Year-over-Year Change		FY2005 (As of March 31, 2005)
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)
(ASSETS)					
Current assets					
1. Cash and deposits	33,010	33,357	(347)	-1.0	31,671
2. Notes and accounts receivable	15,190	15,131	59	+ 0.4	18,297
3. Marketable securities	1,007	2,007	(999)	- 49.8	2,200
4. Inventories	16,578	12,849	3,729	+ 29.0	12,664
5. Deferred tax assets (short)	2,468	2,538	(70)	- 2.8	2,457
6. Others	1,816	1,368	448	+ 32.8	1,499
Allowance for doubtful receivables (short)	(1,293)	(1,025)	(267)	+ 26.1	- 1,190
Total current assets	68,779	66,227	2,551	+ 3.9	67,601
Fixed assets					
1. Tangible fixed assets					
(1) Buildings and structures	8,422	8,618	(196)	- 2.3	8,595
(2) Machinery, equipment and vehicles	1,936	2,060	(123)	-6.0	2,021
(3) Tools, furniture and fixtures	2,506	2,485	21	+ 0.9	2,376
(4) Land	14,899	14,899	-	-	14,899
(5) Construction in progress	61	60	1	+ 2.4	62
(6) Others	4,772	4,448	323	+ 7.3	4,514
Total tangible fixed assets	32,597	32,572	25	+ 0.1	32,469
2. Intangible fixed assets					
(1) Trade rights	373	352	21	+ 6.1	362
(2) Software	1,318	1,223	94	+ 7.7	1,134
(3) Consolidated adjustment account	10	47	(36)	- 77.2	42
(4) Others	521	338	182	+ 53.8	513
Total intangible fixed assets	2,224	1,962	262	+ 13.4	2,052
3. Investments and other securities					
(1) Investment in securities	7,877	3,543	4,334	+ 122.3	4,283
(2) Long-term advances	283	281	2	0.8	290
(3) Deferred tax assets (long)	885	1,503	(617)	- 41.1	1,424
(4) Others	4,458	4,059	398	+ 9.8	4,724
Allowance for doubtful receivables (long)	(72)	(298)	225	- 75.7	(296)
Total investments and other securities	13,432	9,088	4,343	+ 47.8	10,427
Total fixed assets	48,254	43,622	4,631	+10.6	44,950
Total assets	117,033	109,850	7,183	+ 6.5	112,551

Item	3rd Quarter of FY 2006 (As of December 31, 2005)	3rd Quarter of FY 2005 (As of December 31, 2004)	Year-over-Year Change		FY2005 (As of March 31, 2005)
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)
(LIABILITIES)					
Current liabilities					
1. Notes and accounts payable	14,012	11,498	2,514	+ 21.9	11,357
2. Short-term loans	6,970	4,674	2,296	+ 49.1	5,292
3. Long-term bank borrowings due within one year	67	67	(0)	- 0.7	69
4. Accrued taxes	651	313	338	107.9	1,292
5. Accrued bonuses	890	911	(20)	- 2.3	1,632
6. Accrued warranty costs	73	44	28	+63.5	44
7. Others	5,458	6,375	(916)	- 14.4	5,995
Total current liabilities	28,124	23,885	4,239	17.8	25,685
Long-term liabilities					
1. Convertible bonds	16,915	16,915	-	-	16,915
2. Long-term bank borrowings	115	193	(77)	- 40.2	169
3. Employees' retirement allowances	3,046	2,960	85	+ 2.9	2,970
4. Directors' retirement allowances	235	269	(34)	- 12.6	279
5. Equity-method liabilities	464	153	311	+ 203.1	263
6. Others	298	284	13	+ 4.9	287
Total long-term liabilities	21,075	20,776	299	+ 1.4	20,885
Total liabilities	49,200	44,661	4,538	+ 10.2	46,570
(MINORITY INTERESTS)					
Minority interests	147	137	9	+ 7.0	146
(SHAREHOLDERS' EQUITY)					
Common stock	14,114	14,114	-	-	14,114
Capital reserve	14,779	14,779	0	0.0	14,779
Retained earnings	39,600	37,828	1,771	+ 4.7	39,078
Net unrealized holding gains or losses on securities	1,810	715	1,095	+ 153.1	976
Foreign currency translation adjustments	(3)	(983)	979	- 99.6	(802)
Treasury stock	(2,614)	(1,403)	(1,211)	+ 86.3	(2,311)
Total shareholders' equity	67,685	65,051	2,634	+ 4.0	65,834
Total liabilities, minority interests and shareholders' equity	117,033	109,850	7,183	+ 6.5	112,551

[2] Brief Quarterly Consolidated Statements of Income

Item	3rd Quarter of FY 2006 (9 months ended December 31, 2005)	3rd Quarter of FY 2005 (9 months ended December 31, 2004)	Year-over-Year Change		FY2005 (Year ended Mar. 31, 2005)
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)
Net sales	61,890	60,157	1,733	+ 2.9	85,161
Cost of sales	29,242	27,611	1,631	+ 5.9	39,859
Gross profit	32,647	32,546	101	+ 0.3	45,302
Selling, general and administrative expenses	29,978	28,816	1,162	+ 4.0	38,727
Operating income	2,669	3,729	(1,060)	- 28.4	6,574
Other income	700	402	298	+ 74.2	530
1. Interest income	71	65	6	+ 9.2	89
2. Dividend income	70	62	8	+ 12.9	62
3. Gains on sales of investment securities	82	-	82	-	-
4. Equity method gains	-	20	(20)	-	-
5. Exchange gains	162	-	162	-	-
6. Others	313	253	59	+ 23.5	378
Other expenses	650	600	50	+ 8.3	1,221
1. Interest expenses	435	343	91	+ 26.6	468
2. Equity method losses	69	-	69	-	243
3. Exchange losses	-	46	(46)	-	110
4. Losses on sale of fixed assets	62	-	62	-	213
5. Others	84	210	(126)	- 59.9	186
Recurring income	2,719	3,531	(811)	- 23.0	5,883
Income before income taxes	2,719	3,531	(811)	- 23.0	5,883
Corporate income tax and other tax expenses	1,342	1,488	(145)	- 9.8	2,587
Minority interest in net income of consolidated subsidiaries	6	12	(5)	- 46.3	15
Net income	1,370	2,030	(660)	- 32.5	3,280

[3] Quarterly Consolidated Surplus Statements

Item	3rd Quarter of FY 2006 (9 months ended December 31, 2005)		3rd Quarter of FY 2005 (9 months ended December 31, 2004)		FY2005 (Year ended Mar. 31, 2005)	
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)
(CAPITAL RESERVE)						
Capital reserve brought forward		14,779		14,779		14,779
Increases						
1. Gains on retirement of treasury stock	0	0	0	0	0	0
Capital reserve carried forward		14,779		14,779		14,779
(RETAINED EARNINGS)						
Retained earnings brought forward		39,078		36,673		36,673
Increases						
1. Net income	1,370	1,370	2,030	2,030	3,280	3,280
Decreases						
1. Dividends	801		813		813	
2. Bonuses to directors	48	849	62	875	62	875
Retained earnings carried forward		39,600		37,828		39,078

[4] Quarterly Consolidated Statements of Cash Flows

	3rd Quarter of FY 2006 (9 months ended December 31, 2005)	3rd Quarter of FY 2005 (9 months ended December 31, 2004)	FY2005 (Year ended Mar. 31, 2005)
Item	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)
Cash flows from operating activities			
Income before income taxes	2,719	3,531	5,883
Depreciation	2,403	2,112	2,948
Amortization of adjustments on consolidated accounts	15	13	17
Equity method losses (profits)	69	(20)	243
Increase (decrease) in employees' retirement allowances	76	236	245
Increase (decrease) in directors' retirement allowances	(43)	(38)	(28)
Increase (decrease) in allowance for doubtful receivables	(206)	178	337
Increase (decrease) in accrued bonuses	(752)	(737)	-
Interest and dividends receivable	(141)	(127)	(151)
Interest payable	435	343	468
Exchange losses(profits)	305	85	109
Losses (profits) on sale of investment securities	(82)	1	0
Decrease (increase) in accounts receivable	3,937	1,337	(1,767)
Decrease (increase) in inventories	(3,095)	(1,395)	(1,048)
Increase (decrease) in accounts payable	2,174	971	700
Increase (decrease) in accrued expenses	(805)	390	750
Directors' bonuses paid	(48)	(62)	(62)
Others, net	(150)	801	557
Subtotal	6,809	7,622	9,204
Interest and dividends received	141	127	151
Interest paid	(421)	(339)	(471)
Income taxes paid	(2,001)	(2,472)	(2,602)
Net cash provided by operating activities	4,528	4,938	6,282
Cash flows from investing activities			
Increase in time deposits	(2)	(307)	(716)
Decrease in time deposits	0	6	9
Payments for purchase of marketable securities	-	-	(300)
Proceeds from sale of marketable securities	-	999	1,299
Payments for acquisition of tangible fixed assets	(1,943)	(1,042)	(2,253)
Payments for acquisition of intangible fixed assets	(632)	(338)	(679)
Payments for purchase of investment securities	(3,099)	(300)	(603)
Proceeds from sale of investment securities	994	105	101
Increase in loans receivable	(39)	(16)	(42)
Decrease in loans receivable	54	110	128
Others, net	85	49	(209)
Net cash used in investing activities	(4,581)	(734)	(3,267)
Cash flows from financing activities			
Net increase (decrease) in short-term loans	1,145	(206)	377
Proceeds from long-term bank borrowings	11	-	4
Repayments of long-term bank borrowings	(69)	(63)	(90)
Payments for repurchase of Company's stock	(302)	(1)	(909)
Cash dividends paid	(801)	(813)	(813)
Others, net	0	0	0
Net cash used in financing activities	(16)	(1,085)	(1,431)
Effect of exchange rate changes on cash and cash equivalents	213	68	109
Increase (decrease) in cash and cash equivalents	144	3,187	1,693
Cash and cash equivalents, beginning of term	33,526	31,832	31,832
Cash and cash equivalents, end of term	33,670	35,020	33,526

Segment Information

[Segment Information by Business]

- 3rd Quarter of FY2006 (9 months ended December 31, 2005) -

(Millions of yen)

	Printing equipment-related business	Real estate business and others	Total	Inter-segment Elimination	Consolidated
Sales and operating income					
(1) External customer sales	61,059	831	61,890	-	61,890
(2) Inter-segment sales	-	55	55	(55)	-
[Total]	61,059	886	61,946	(55)	61,890
Costs and expenses	59,037	238	59,276	(55)	59,221
Operating income	2,021	647	2,669	-	2,669

- 3rd Quarter of FY2005 (9 months ended December 31, 2004) -

(Millions of yen)

	Printing equipment-related business	Real estate business and others	Total	Inter-segment Elimination	Consolidated
Sales and operating income					
(1) External customer sales	59,295	861	60,157	-	60,157
(2) Inter-segment sales	-	53	53	(53)	-
[Total]	59,295	915	60,211	(53)	60,157
Costs and expenses	56,126	355	56,481	(53)	56,427
Operating income	3,169	560	3,729	-	3,729

[Segment Information by Geographic Area]

- 3rd Quarter of FY2006 (9 months ended December 31, 2005) -

(Millions of yen)

	Japan	Americas	Europe	Asia	Total	Inter-segment Elimination	Consolidated
Sales and operating income (loss)							
(1) External customer sales	34,095	9,296	12,542	5,956	61,890	-	61,890
(2) Inter-segment sales	16,432	1	349	7,023	23,807	(23,807)	-
[Total]	50,527	9,298	12,892	12,979	85,698	(23,807)	61,890
Costs and expenses	47,354	10,151	12,568	12,531	82,605	(23,384)	59,221
Operating income (losses)	3,173	(853)	323	448	3,092	(423)	2,669

- 3rd Quarter of FY2005 (9 months ended December 31, 2004) -

(Millions of yen)

	Japan	Americas	Europe	Asia	Total	Inter-segment Elimination	Consolidated
Sales and operating income (loss)							
(1) External customer sales	33,377	9,163	11,832	5,783	60,157	-	60,157
(2) Inter-segment sales	15,217	0	344	5,783	21,336	(21,336)	-
[Total]	48,595	9,163	12,167	11,566	81,493	(21,336)	60,157
Costs and expenses	45,182	9,544	11,805	11,302	77,835	(21,407)	56,427
Operating income (losses)	3,412	(380)	361	264	3,658	71	3,729

[Overseas Segment Sales Data]

- 3rd Quarter of FY2006 (9 months ended December 31, 2005)-

	Americas	Europe	Asia	Total
Overseas sales (Millions of yen)	9,296	12,640	7,590	29,527
Consolidated net sales (Millions of yen)	-	-	-	61,890
Ratio of overseas sales in consolidated net sales (%)	15.0	20.4	12.3	47.7

- 3rd Quarter of FY2005 (9 months ended December 31, 2004)-

	Americas	Europe	Asia	Total
Overseas sales (Millions of yen)	9,163	12,006	7,455	28,626
Consolidated net sales (Millions of yen)	-	-	-	60,157
Ratio of overseas sales in consolidated net sales (%)	15.2	20.0	12.4	47.6